CLARIFICATION BY THE MINISTER

Disinvestment of the Paradeep Phosphates Limited

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF COMMUNICATIONS AND INFORMATIONS TECHNOLOGY (SHRI PRAMOD MAHAJAN): Madam, on 19th December, hon. Mr. Kapil Sibal raised some issues regarding the Paradeep Phosphates Limited and the hon. Chairman directed that somebody from the Government should get the information and share it with the House. So, I got the information from the Disinvestment Ministry and the Disinvestment Minister, who is in Sri Lanka at this point of time. As they have given the information, I will read out the information for the benefit of the House:

"PPL was referred to the Disinvestment Commission. Based on the recommendations of the Disinvestment Commission, the Government decided to disinvest 74 per cent of its equity through strategic sale. The financial bids for 74 per cent equity of the company were invited on the basis of the last Balance Sheet of PPL, that is, for 2000-2001 and the process of strategic sale was concluded on 28th February, 2002, with the signing of the transaction agreements among the Government, the Company and the strategic partner, namely, M/s. Zuari Maroc Phosphates Private Limited. The consideration paid by the strategic partner for the equity disinvested was Rs. 151.70 crores.

Prior to disinvestment, 100 per cent of the equity of PPL was held by the Government of India and the company was unlisted. The Company had been incurring severe losses over the years and in spite of several financial restructurings being undertaken by the Government, on 31 * March, 2001, its net worth was Rs. 1.15 crores and accumulated losses amounted to Rs.431.50 crores. At the time of disinvestment, Government was aware that PPL had continued to incur losses during 2001-02 and that its net worth would further deteriorate. The Government also finalized the strategic sale in the knowledge that such sale was the only viable alternative to reduce the losses of the Government.

The transaction agreements relating to the disinvestment in most unlisted companies provide for the post-closure adjustments. Such provisions exist in the agreements relating to disinvestment in Bharat Aluminium Company Limited, Modern Food Industries (India) Limited, HTL Limited and in hotels of India Tourism Development Corporation and Hotel Corporation of India Limited. In the case of PPL also, like in other

companies, there is a provision for the post-closure adjustments. The transaction agreements were circulated to all the qualified bidders (namely, M/s Rastriya Chemicals and Fertilizers Limited, M/s Tata Chemicals Limited, M/s Zuari and M/s Oswal Chemicals and Fertilizers Limited) before inviting financial bids, and the bidders had full knowledge of eligibility for post-closure adjustment.

PPL continued to remain under Government management till 28th February, 2002. Given the gap between the date of the last Balance Sheet provided to the bidder and the closing date of the transaction, it was recognized that the asset/liability position of the company would undergo a change and therefore, a post-closing audit of the accounts of the company would become necessary to assess and finally determine the actual improvement/deterioration in the assets/liabilities position during the intervening period. The transaction agreements, therefore, provided that if the closing date net asset amount was greater than that of the last Balance Sheet Net Asset Amount, M/s Zuari Maroc Phosphates Private Limited was obligated to pay the Government the differences whereas if the closing date net asset amount were lesser than that of the last balance sheet net asset amount, the Government was under obligation to pay the difference.

The financial condition of some of the Central/State public sector companies and undertakings are so bad that the Government has and had to take over or restructure thousands of crores of rupees of liabilities before or during the disinvestment process. In all such cases, the likelihood of financial restructuring or the possibility of post-closure adjustment has been clearly divulged before calling financial bids.

It is well known that the state of accounts in some public sector undertakings, particularly loss-making, leave much to be desired. It is *inter alia* on account of this reason that bidders insist on post-closure adjustment provision and without such provision, no bids are likely to be received.

The post-closure audit provision also stipulates that the accounting firm to prepare the closing date net assets amount would be jointly selected by the seller and the buyer and such selected auditor has to prepare the closing date statement in accordance with the existing accounting principles and norms adopted by the company while preparing the last balance sheet. It is under this provision that M/s. Price Water House has been appointed to prepare closing date net assets amount statement and has submitted its

report. The strategic partner has, thereafter, in accordance with the provisions of the Agreement, submitted its claim of adjustment under the post-closure mechanism. Given above, it would be incorrect to presume that there has been a material change of the conditions of sale.

The post-closing auditor's reports as well as the claim of the strategic partner are still under examination of the Government and it would be premature to reach any definite conclusion with respect to the quantum of post-closure adjustments or with respect to the accounting principles adopted by M/s. Price Water House.

Through you, I would like to assure the House, Madam, that the Government would carefully examine all aspects of the claim on post-closure adjustment preferred by M/s. Zuari Maroc Phosphates Private Limited prior to deciding on the claim in accordance with the transaction agreements.

THE DEPUTY CHAIRMAN: Now, there is also, amongst the Listed Business, the Motion regarding Third Report of the Ethics Committee by Shri Ranganath Misra. But, as we had decided, this is being deferred till the next Session. So, that is over.

ANNOUNCEMENT BY THE CHAIR

THE DEPUTY CHAIRMAN: Now, we are exactly on the right time to talk about the Private Members' Business. So, hon. Members, we have the Private Members' Legislative Business, listed in today's List of Business, to be taken up at 2.30 p.m. In order to enable the House to complete the Government legislative business, it was decided that the Members, in whose names, the Private Members' Bills are listed for introduction, would be allowed to introduce the Bill one by one, with priority secured. It was also decided that the Bills for consideration and passing might be protected, and those Bills could be taken up on the first day to be allotted to the Private Members' Bill in the next Session of the Rajya Sabha. This should not, however, be quoted as a precedent. Now, I call the Members to introduce their Bills.

Shrimati S.G. Indira. Not present. Dr. Dasari Narayana Rao. Not present. Shri K. Rama Mohana Rao.